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Uprooting coffee trees in Brazil.

East-West Trade: Boon to U.S. Farmers

By Roger Neetz

Recently, the fastest growing U.S. farm market in the world has been the Communist group of nations—including the USSR, Eastern Europe, and the People's Republic of China. Heightening domestic demand in these countries for farm products, together with some severe crop setbacks, contributed to a 14-fold increase in U.S. farm exports to these nations between 1970 and 1976, with such trade assisted by by government-to-government agreements on agricultural cooperation and trade.

Trade between the West and the Communist countries of Eastern Europe, the USSR, and the People's Republic of China (PRC) has become an economic reality in the 1970's. Between 1970 and 1976, this East-West trade rose by more than 3½-fold, from $13 billion to $48 billion, with the United States a major participant and U.S. agricultural exports among the leading U.S. beneficiaries.

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The thrust of this trade is directed toward satisfying a growing consumer demand, and to fill this void, the Communist nations have turned their focus westward on suppliers—and markets—such as the United States. Government-to-government agreements on cooperation and trade have provided the initial link needed to bridge the gap between vastly differing marketing systems.

For U.S. agriculture, this link contributed to a 14-fold growth in exports to the Communist nations between 1970 and 1976, from $210 million to $3 billion, for an unusually high yearly growth rate of 55 percent. In addition, agriculture's share of total imports from the United States climbed from 50 percent in 1970 to about 62 percent in 1976.

While such trade dipped to an estimated $2.1 billion in calendar 1977, resumption of the upward trend is seen for 1978 in light of the recent heavy grain purchases by the USSR and buying of U.S. cotton and soybeans by the PRC.

Indeed, at the recent rate of growth, the Communist countries together could become a $5 billion market for U.S. farm products by 1980 and eventually approach the $6-billion level held by the European Community in 1976.

Achieving this level is another matter, however, given the several problems still surrounding trade with Communist countries, including—

- Balance-of-payments deficits that have recently plagued Eastern Europe and the USSR, including large deficits in trade with the United States.
- Lack of most-favored-nation (MFN) treatment and government credits by the United States for all nations except Poland, Yugoslavia, and Romania.
- Continued efforts by Communist nations to expand production of commodities that compete with U.S. agricultural imports.

The setting. The beginning of U.S. agricultural trade expansion with the Communist nations can be traced to the late 1950's. At that time, a glimmer of optimism toward East-West trade emerged and exports of surplus U.S. farm products under Public Law 480 were begun, with eventual application to Poland and Yugoslavia.

During the intervening years until the turn of the current decade, East-West trade headed erractically upward, but not until the 1970's did these nations emerge as significant customers for U.S. farm products.

The severe drought of 1972/73 in the Soviet Union—and the USSR's imports of 13.6 million tons of U.S. grain that year—amplified the latent East-West trade potential.

By 1975, the USSR, the largest buyer, was importing $1.17 billion worth of U.S. agricultural products, and a further strong gain to $1.6 billion was recorded for 1976. (Preliminary estimates indicate that trade in 1977 totaled about $1.1 billion). By comparison, the United States shipped only $11.6 million worth of farm products to the USSR in 1969.

U.S. agricultural exports to Eastern Europe totaled a little over $1 billion in 1975, $1.4 billion in 1976, and an estimated $1.2 billion in 1977, whereas in 1969 they were just slightly over $100 million.

The northern countries of Eastern Europe—Czechoslovakia, the German Democratic Republic (GDR), and Poland—have been the most consistent purchasers in the region, reflecting their greater degree of industrialization and their smaller agricultural potential. During calendar 1976, Poland imported $491 million worth of U.S. farm products; the GDR, $391 million; and Czechoslovakia, $221 million. They also ranked next to the USSR as the top Communist markets for U.S. farm products.

The southern East European nations—Bulgaria, Hungary, Romania, and Yugoslavia—traditionally have been agricultural exporters and to some extent compete with U.S. agriculture. Even here, however, agricultural imports—particularly oilseeds and meal and feedgrains—are on the rise as a

result of growing livestock production.

Romania, for instance, boosted its imports of U.S. farm products from \$37 million to \$173 million between 1970 and 1976, with expansion assisted by the signing of a cooperative agreement between Romania and the United States in 1975.

So far, the principal U.S. agricultural exports to the Soviet Union and Eastern Europe have been wheat, feedgrains, and soybeans and soybean meal, reflecting a quality requirement and need for meeting short- and long-term consumption and livestock production goals.

In the future, U.S. exports of soybeans and soybean meal could become even more important, since most Communist countries have little hope of achieving self-sufficiency in oilseed production but will need increasing amounts of high-protein feeds.

Cotton exports to the Communist nations could also stage a comeback following a dropoff in the recent past. Live animals may be shipped in large numbers to upgrade livestock industries—a trend launched in the early 1970's with the beginning of heavy shipments of U.S. cattle to Hungary. And citrus and tobacco exports there could increase.

Another Communist market with tremendous potential, but an erratic import record so far, is the PRC. After importing \$625 million and \$624 million worth of U.S. farm products in 1973 and 1974, the PRC ceased to be a significant U.S. market. However, the PRC again turned to the United States in 1977 following crop shortfalls in the PRC and soybean supply problems in Brazil, its major source for soybeans. During calendar 1977, the PRC purchased about \$66 million worth of U.S. farm products, mainly soybeans, soybean oil, and cotton.

Bilateral agreements—trade aids. This rapid trade expansion has been fostered by the close cooperation among U.S. Government agencies, agribusiness, and the U.S. farm community in market development efforts in the Communist nations. The Government role has been to develop cooperative trade arrangements on a case-by-case basis and through them to link U.S. farm and trade groups with their overseas counterparts in trade and end-user enterprises.

These government-to-government arrangements have led to the conclusion of long-term purchasing agreements between private U.S. exporters of agricultural products and state foreign trade organizations.

Currently, the U.S. Department of Agriculture has formal bilateral cooperation agreements with the USSR, Poland, and Romania; a grain agreement with the USSR; a long-term grain understanding with Poland; and an informal understanding on grain sales with the GDR.

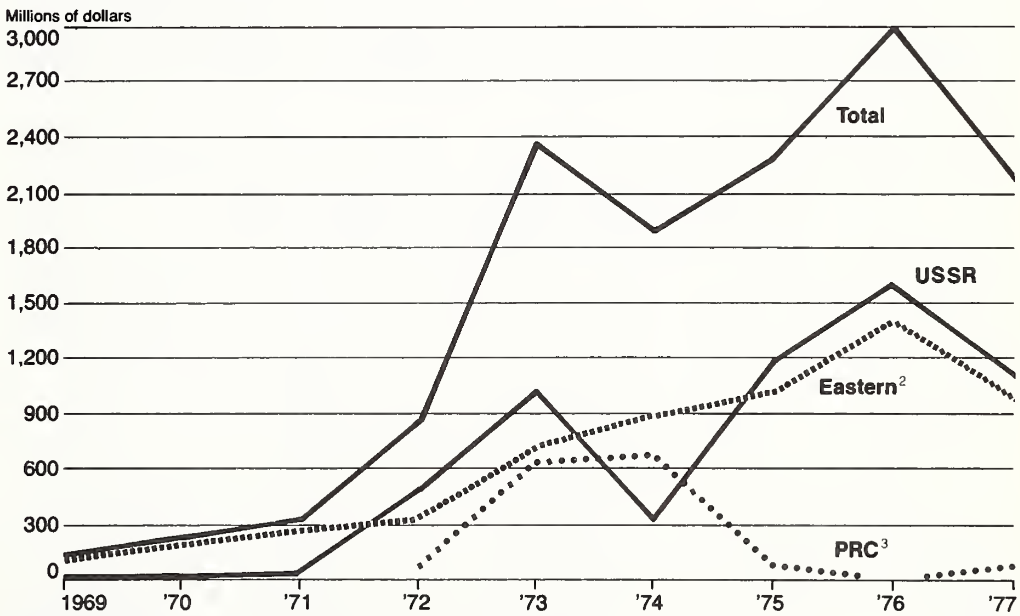
The Department also is negotiating an agreement with Bulgaria and expects to receive a request for a similar agreement with Hungary in the near future.

Cooperation with the USSR dates back to the 1950's, when the USSR and the United States began a prolonged exchange of technical information and expertise. These exchanges culminated in the June 1973 signing of an Agreement on Cooperation in Agriculture. In addition, an Agreement on the Supply of Grain was signed in October 1975.

The Cooperation Agreement has opened channels for U.S. industry "cooperators" to participate in Soviet development projects, using U.S. experience. The U.S. Feed Grains Council has an implementing agreement with the Ministry of Agriculture, and the American Soybean Association is discussing possible programs with several Ministries in the USSR.

Under the Grain Agreement, the USSR agreed to purchase at least 30 million metric tons of U.S. wheat and corn during the 5-year period that began October 1, 1976. The Agreement, which binds the Soviets to buy at least 6 million tons of grain a year and to space its purchases and shipments throughout the year, requires U.S. consultations for purchases larger than 8 million tons. It also gives the United States the option to reduce the quantity of wheat and corn available for purchase by the USSR in years when the total U.S. grain

U. S. Agricultural Exports to Eastern Europe, USSR, and the People's Republic of China (PRC), 1969-77[1]



[1] Includes transshipments

[2] Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Yugoslavia.

[3] \$40,000—principally onion seed—in 1976.

Source: ESCS published and preliminary data.

supply falls below 225 million tons. Consultations under this Agreement are held every 6 months.

The United States and Poland signed a Joint Statement on the Development of Agricultural Trade on October 8, 1974. The Statement provides for an exchange of agricultural economic information, conclusion of long-term purchasing agreements, and cooperation in agricultural research.

In November 1975, the United States and Poland reached an understanding on long-term grain sales in an exchange of letters between former U.S. Agriculture Secretary Butz and Polish Minister of Agriculture Barcikowski. Poland's part was a stated intent to purchase 2.5 million tons of grain (±20 percent) annually until 1980, subject to U.S. availabilities. In 1976, the first full year of implementation of the "understanding," Poland imported 2.9 million tons of U.S. grain valued at $346.84 million.

In contrast to the Soviet Grain Agreement, the Grain Understanding does not obligate Poland to buy, but the "intention" is satisfactory for the implementation of the U.S. market-oriented policy. Moreover, Poland recently has asked the United States to consider a new long-term arrangement that would raise the purchase intention to 4-5 million tons, subject to concessional credit arrangements.

The Protocol on Development of Agricultural Trade between the United States and Romania was signed on September 11, 1975. The Protocol provides for an exchange of agricultural economic information and development of cooperative links in other areas between the Romanian Government and private U.S. organizations.

Both sides also have stated their intention to encourage expansion of agricultural trade. But there is no "handshake agreement" for U.S. grain sales, as in the Butz-Barcikowski exchange of letters. The first working group meeting under these protocols was held in Bucharest last year. Separate Memoranda of Understandings and Protocols of Cooperation have been developed to promote technical and educational exchanges and product promotion, including an arrangement between the Ministry of Agriculture and Food Industry and the American Soybean Association.

U.S. negotiations with Poland and Romania were facilitated by the fact that they receive MFN treatment and are eligible for U.S. Commodity Credit Corporation (CCC) credits. Cooperative relationships with other countries will be more limited unless countries comply with the U.S. Trade Act of 1974.

Nonetheless, steps toward further cooperation are being taken. For instance:

- Following trade discussions in November 1976 with USDA and trade officials, the GDR stated its intention to purchase 1.5-2.0 million tons of U.S. grain annually until 1980. The two countries recently held further consultations and have expressed a desire to expand agricultural trade and hold future consultations on a regular basis. The thrust is toward a more formal agreement.
- Since 1974, Bulgaria has been seeking an agreement in agricultural cooperation with the United States. The United States Department of Agriculture is now seriously considering an arrangement aimed at encouraging access for traders, greater availability of agricultural economic information, joint cooperation projects, and long-term purchasing agreements.
- Hungary and Czechoslovakia have given strong signals to the Department for broader participation in formal exchanges and market development programs currently available to other signatory countries under U.S. agreements.
- Government-to-government cooperation with the PRC is precluded mainly because of diplomatic nonrecognition, but U.S. cooperators have access to officials and state trading organizations through the National Council for U.S.-China Trade.

U.S. objectives. Current U.S. arrangements with Communist countries are not instruments to regulate international marketing. Rather, they relate the unique trading practices of state-controlled economies to the framework of the free market system and help avoid disruption of conventional trading operations.

The periodic consultations on import needs and export availabilities provided for in these arrangements is consistent with informal U.S. understandings with market-economy countries, such as Japan and Israel. These "handshake agreements" confirm U.S. intentions to maintain open markets to foreign buyers, subject to U.S. availabilities, and provide the U.S. farm community with vital export markets. Perhaps most importantly, the arrangements provide for more predictable commodity purchases by the Communist nations and contribute to their integration into the world trading system.

Major issues. Expansion

USSR and East European Agricultural Imports From the United States, 1975-76

Country	1975	1976	1976 as a share of 1975
	1,000 U.S. dol.	*1,000 U.S. dol.*	*Percent*
Albania	523	419	80
Bulgaria	19,610	31,558	160
Czechoslovakia	84,735	220,699	260
German Dem. Rep.	343,728	391,323	113
Hungary	40,463	22,442	55
Poland	383,562	491,448	128
Romania	108,715	171,584	157
Yugoslavia	43,424	37,498	86
USSR	1,170,284	1,600,266	137
Total	2,195,018	2,967,237	135

and diversification of U.S. agricultural exports to Communist countries will require further discussions of MFN status. Also needed are formal proposals to improve trader access, information, and reciprocity on all trade matters.

Title IV of the U.S. Trade Act of 1974 prohibits granting MFN privileges and Government credits to nations that do not permit free emigration. Currently, this applies to all Communist nations except Poland and Romania. (Yugoslavia also has MFN, but is considered to be a market economy.) Poland qualified for MFN and U.S. Government credits before passage of the Trade Act. Romania received an executive waiver of the freedom of emigration clause in 1976/77 and 1977/78.

The major U.S. trading partner—the USSR—does not have MFN status with the United States and is not a member of the General Agreement on Tariffs and Trade (GATT). A change on these positions seems unlikely.

Hungary, while a member of GATT does not receive MFN treatment from the United States and is ineligible for U.S. Government credits. The Hungarians, however, have recently negotiated a final settlement on a World War I debt and thus qualify for private loans and the sale and/or purchase of bonds and securities. Also, with the return of the crown of St. Stephan, there is new optimism about resolving other issues.

The GDR and Czechoslovakia are denied MFN by the United States, although Czechoslovakia is a member of GATT. Both countries are potentially strong partners for developing agricultural trade and are reviewing past debts with the United States in order to establish access to greater U.S. financing.

Bulgaria is an observer in GATT, but does not receive MFN treatment from the United States. However, Bulgaria has no outstanding U.S. debt, and the Johnson Debt Default Act of 1934 does not apply. Private U.S. financial transactions and credits are therefore available.

The PRC is ineligible for MFN because of noncompliance with the Trade Act of 1974. Trade with the United States, moreover, is limited because of diplomatic nonrecognition.

While obstacles created by the Trade Act of 1974 have been avoided by Poland and Romania, continuing expansion of U.S. agricultural trade with Communist countries will require close cooperation in this country between the Government and private sectors. Along these lines, U.S. agreements of cooperation emphasize access for private traders.

The interchange on other tariff and nontariff measures and development of a sharper perspective of the potential trade pattern between countries could precipitate more interest in U.S. commercial trade relations with Communist countries.

East-West trade then is a broad and complicated issue. Maximizing the latent potential will require bolder approaches than those already tried. There is the need to regularize trading relations with these countries, but the United States also expects reciprocity from them as new trade areas are opened.

For agriculture, the door to the East continues to look promising. The U.S. Government has initiated steps to develop trade through bilateral agreements. It has encouraged multilateral participation by the East. And there is a sense of a greater need for interdependence by the Communist countries. □

CCC Export Credits Approved

USDA approved about $37.5 million worth of new export credits under the CCC Export Credit Sales Program during January 13-February 10, plus modifications of some lines of credit approved earlier.

A $4-million line of credit for South Africa is to finance export sales of about 7,407 metric tons of U.S. rice.

A $13-million line of credit extended to Portugal for sales of U.S. rice, wheat, or feedgrains has been increased by $5.1 million. The increase is earmarked for rice sales only.

The value of a $4-million line established for Morocco has been decreased to $500,000, as Morocco will not fully utilize the amount set earlier.

A new $15-million credit for Portugal is to finance export sales of $9 million worth of U.S. soybean meal (about 45,000 tons) and $6 million worth of U.S. soybeans (about 27,000 tons).

A new $1,370,000-line of credit to Belgium is to finance export sales of about 310 tons of U.S. tobacco.

A $12-million line of credit to Poland is to finance sale of about 21,775 tons of U.S. tallow.

Commodities currently eligible for CCC export financing are almonds, barley, breeding cattle and swine, corn, cotton, cottonseed oil and meal, dry edible beans and peas, dried whey products, eggs (dried, frozen, and canned), hog grease, linseed oil and milk, nonfat dry milk, oats, peanut oil, poultry (canned and frozen), milled and brown rice, sorghum, soybeans, soybean oil, edible soy protein, sunflowerseed meal, sunflowerseed oil, tallow, tobacco, wheat, and wheat flour. □

Hong Kong Imports U.S. Citrus

Exports of U.S. fresh and processed citrus to Hong Kong has grown steadily in recent years and are expected to increase by over 10 percent in 1978.

During the first 3 quarters of calendar 1977, Hong Kong's imports of fresh oranges from the United States expanded by 9 percent and of other citrus (including lemons and grapefruit) by 7 percent over the similar period of 1976.

Hong Kong's per capita income (equal to about $2,300 a year) is the second highest in Asia. Expenditures for food are expected to rise along with increases in per capita disposable income, indicating continued growth in this market.

Through September 1977, Hong Kong's imports of citrus and citrus products were about 9 percent higher than in the same period of 1976.

Imports of fresh oranges from the United States are expected to increase by about 10 percent during 1978.

However, imports of lemons—used primarily by the hotel and restaurant trade—are expected to remain steady. Grapefruit imports could be increased with the assistance of advertising and promotional campaigns, but the fruit's tart taste is not preferred in this area. □

BRAZIL'S FARM OUTPUT UP, INFLATION SLOWS

Brazil's economic growth rate fell sharply in 1977 from the previous year's, but the midyear impact of anti-inflation programs and the growth of agricultural production helped the country end 1977 in a better than anticipated position.

The gross domestic product growth rate was 5.03 percent in 1977, compared with 9.2 percent in 1976. But at the same time, the situation was relieved somewhat by a reduced rate of inflation, estimated at 38.8 percent, some 8 percent less than in 1976, which was the worst inflation year since 1964.

Agricultural exports set a record at about US$7.4 billion, 23 percent higher than 1976's. About 60 percent of 1977's agricultural export revenues came from coffee (some $2.6 billion) and soybeans and products (about $2.1 billion).

In the agricultural sector, total farm output—which accounted for 11 percent of Brazil's net internal product—was up by 9.9 percent, by far the highest rate of increase in recent years and well over twice the 4.2 percent growth in 1976. Official calculations show that livestock production was up 5.3 percent and crop outturn 12.2 percent. Much of the increase reflects Brazil's recovery as a coffee producer. Record corn and soybean crops were recorded, and output of sugar, dry beans, cotton, castorbeans, tobacco, manioc, and potatoes was higher.

Agricultural exports in 1978 are not expected to exceed the 1977 record. A larger export volume in 1978, particularly of coffee and soybeans, likely will not compensate for somewhat lower prices of several important export commodities.

The United States will continue to supply a large share of Brazil's wheat imports.

Grains and feeds. Wheat production in 1977—harvested in September-November—is estimated at only 2 million tons, down substantially from last year's record harvest of 3 million tons, and far short of the hoped-for 3.8 million tons. Nationally, planted area was down nearly 10 percent, and in some traditional wheat-producing areas of Rio Grande do Sul the drop was as high as 25 percent.

Wheat imports during 1977 were about 2.9 million tons, costing over $300 million. Roughly one-third came from the United States. Other major suppliers were Canada and Argentina. Imports during calendar 1978 are likely to total 4.4 million tons with the United States supplying roughly one-half to two-thirds.

Corn production last year (March-June harvest) is estimated at a record 18.8 million tons, up 6 percent from 1976's. Prospects for 1978 are for a significant decline in production to approximately 17.3 million tons. Reasons for the drop include reduced planted area and a cutback in the use of so-called modern imputs because of their unfavorable costs.

Corn exports for the April 1977-March 1978 marketing year are currently forecast at 1.3 million tons. Through November, exports had reached 1.2 million tons. However, in more recent months, exports have dropped off and are not expected to pick up because domestic prices currently are higher than world prices.

Principal markets for Brazilian corn exports were Spain and Italy. Exports for the 1978/79 season are currently forecast at 300,000 tons.

Brazil harvested a **rice** crop of approximately 8 million tons (paddy) in 1977. Although 500,000 tons less than the 1976 crop, current output is considered to be excellent. Droughts in the dryland rice-producing areas of Goiás and Minas Gerais held their 1977 outturn down, but new Amazon rice areas came into production, somewhat offsetting the loss. The outlook for the 1978 harvest (March-June) is for a slight drop in output as farmers cut production in response to disappointing prices for the previous crop.

Oilseeds. Estimated at 12 million tons, Brazil's **soybean** production in 1977 was 11 percent higher than the 1976 level. Planted area for the 1978 crop is up approximately 8 percent. Output for the current year is estimated at 12.8 million tons. As of late January, weather conditions had not been good in Rio Grande do Sul, Brazil's leading soybean-producing State—which experienced a prolonged dry spell—and only fair in Paraná, where plantings were delayed by dry weather in the early spring (September-October), and then further delayed by unusually heavy rains in November and December.

During calendar 1977, exports of soybeans and products were valued at $2.1-$2.2 billion, and consisted of 2.8 million tons of soybeans, 5.5 million tons of meal, and 460,000 tons of oil.

Newspaper reports in Brazil indicate that CACEX (the trade department of the Bank of Brazil) has requested permission from the Finance Ministry to import soybeans from Argentina and Paraguay for processing and re-export under the drawback system—a procedure under which imported products can be processed and reexported without payment of import duties.

Soybean imports in 1978 could range from 800,000 tons (as reported by the *Gazeta Mercantil*) to 1.3 million tons (as per the *Journal do Brazil*). Ministry of Agriculture officials confirm that the import program is being considered but believe the quantity may fall between 600,000 and 800,000 tons.

Brazil's 1978 outturn of **peanuts** (inshell) is expected to reach 340,000 tons, 5 percent higher than the 1977 outturn of 324,000 tons, but considerably lower than the 514,000 tons of 1976. It is currently estimated that planted area for the two 1978 peanut crops will be equal to or slightly higher than last year's.

Exports of peanut oil in 1977 are estimated at 47,000 tons, about half the volume of 1976 exports. Peanut meal exports were about 49,000 tons, also substantially below 1976 exports. Total export earnings from peanuts and products in 1977 were approximately $69 million. Export availabilities in 1978 are expected to be close to those of last year.

Cottonseed production in calendar 1977 was slightly more than 1 million tons, up substantially from the low level of only 683,000 tons in 1976. The outlook is for a slight decline in 1978, probably to 920,000-930,000 tons. Brazil has not exported cottonseed in recent years, thus all seed not used for planting is crushed domestically. Cottonseed oil production in calendar 1977 is estimated at 144,000 tons, up 48 percent from that of 1976.

Cottonseed oil exports last year are estimated at 23,000 tons, valued at $15 million. Cottonseed meal exports were about 17,000 tons for a value of $3.5 million.

The situation for castor oil has changed from one where stocks were a burden to one where supplies are tight. **Castorbean** outturn in 1977 is estimated at 230,000 tons, an increase of more than one-third from 1976's. Trade and Government forecasts for 1978 indicate production will range from 300,000 to 400,000 tons.

Cotton. Brazil's 1977/78 crop is currently forecast at 520,000 tons, lint basis. Production during the 1976/77 season totaled 550,000 tons.

Planting of the 1977/78 cotton crop started a little later than usual in the south because of extremely unfavorable weather conditions that delayed preparation of the soil.

Lint cotton exports, estimated on a U.S. marketing year basis (Aug-July), may total some 40,000 tons during 1977/78. A total of 12,000 tons was exported during the previous year.

Tobacco. Brazil's total outturn for 1977 is estimated at 280,500 tons, farm-sales weight, only 1.6 percent greater than the 1976 figure. Output in 1978 is expected to increase by 8-10 percent.

Production of cigarette leaf in 1977 is currently estimated at 218,500 tons. However, verifying data will not be available until final export and domestic consumption levels are known later this year.

Total tobacco exports in calendar 1977 are estimated at 103,000 tons, dry weight, only slightly higher than the previous year's level. Export earnings, however, are estimated at $188 million, up 17 percent from 1976's. Final data will not be available for several months, but it now appears that exports of flue-cured tobacco were about 77,000 tons in 1977, up 10 percent from the previous year's. The remaining tobacco exports were of cigar leaf.

Citrus. Brazil's production of citrus fruit fell by about 4 percent in 1977. Compared with 1976, orange outturn fell from nearly 6 million tons to 5.7 million; tangerines were down from 796,000 tons to 735,000; and lemons and limes were off from 640,000 tons to 630,000. Orange production in 1978 is now forecast at about 6.3 million tons.

Tropical Products. Favorable weather conditions and skilled farm management during 1976 and 1977 have contributed to the gradual and steady recovery of Brazil's **coffee** production, as trees affected by the July 1975 freeze—and those planted since then—come into production. Reflecting this comeback, 1977's coffee outturn is estimated at some 17 million bags (60 kg each), nearly twice the 1976 harvest, estimated at 9.3 million bags.

As a result of coffee tree eradication programs between 1965 and 1967, unfavorable weather, and other deterring factors, Brazil's yearly coffee outturn between 1966 and 1973 was below annual requirements, and Government stocks were used to supplement production. As a consequence, prices were higher in 1976 and 1977.

Despite the efforts of CEPLAC, a Federal Government organization that finances research, provides credit, and engages in extension work with farmers, **cocoa** production fell from the 267,000 tons of 1974/75 to 234,000 tons in 1976/77, but is expected to rise to 250,000 tons in 1977/78.

Brazil's Sugar and Alcohol Institute (IAA), a semiautonomous Government agency, has set a maximum authorized **sugar** production for the June 1977-May 1978 marketing year at 135 million 60 kilogram bags, or 8.1 million tons. Brazil has a large and rapidly growing domestic market for sugar and alcohol, as well as considerable land on which to produce additional quantities of sugarcane.

A preliminary estimate of calendar 1977 sugar exports indicates a total of 2.4 million tons, of which 60 percent was raw sugar, 12 percent refined sugar, and 28 percent special-quality sugar.

Animal products. According to its most recent agricultural census, there were 101 million head of cattle in Brazil in 1975. Since the herd growth has been nil because relatively low beef prices in 1976 and 1977 stimulated heavy slaughter of breeding animals. Slaughter during 1977 is estimated to have been 12.25 million head, with beef production amounting to 2.4 million tons, an increase of 8.4 percent over the 1976 level.

Exports of fresh, chilled, and frozen beef in 1977 totaled an estimated 35,000 tons. Processed beef exports (mostly canned corned beef and cooked frozen beef) are expected to reach 63,000 tons, product weight (140,000 tons, carcass-weight equivalent). Exports in 1976 were 17,577 tons of fresh and frozen beef and 64,348 tons (142,894 tons, carcass-weight equivalent) of processed beef. Final import data for 1977 are not yet available, but imports are estimated at 20,000 tons of fresh and frozen beef, mostly from Uruguay. □

Based on report from Leon G. Mears, U.S. Agricultural Attaché, Brasilia.

Decline Seen for Southern Hemisphere Corn, Sorghum Crops

By David I. Rosenbloom

Competition in world markets for U.S. corn and grain sorghum may diminish in coming months as a result of prospective reductions in crops of the leading Southern Hemisphere exporters—Australia, Argentina, Brazil, and South Africa. Together with the United States, these four countries account for 85 percent of world corn and grain sorghum exports and 90 percent of grain sorghum exports alone.

Current forecasts place 1978/79 [1] exportable surpluses of corn and grain sorghum in these Southern Hemisphere producers at 13.2 million tons—3.3 million less than in the past season and about 1 million below the average of the 5 years prior to 1977/78. Their total production—to be harvested largely in March-June—is forecast at 42.4 million tons, or 3 million less than 1977/78's near-record outturn.

These production and export prospects indicate reduced Southern Hemisphere exports in the months ahead from levels of the previous season, alongside continued strength in foreign demand for U.S. corn and grain sorghum. They also suggest that any feedgrain shortfalls—as yet unforeseen—in importing countries would have to be met largely by U.S. corn and grain sorghum.

In Australia and South Africa, severe drought conditions hampered crop development until recently. In Brazil, dryness late in the crop cycle has threatened the corn harvest. In Argentina, crops have developed well, although total production of corn and grain sorghum might not match last year's unusually high yields.

In recent years, these countries have accounted for about 20 percent of world trade in corn and grain sorghum, against nearly 30 percent in the early 1970's. U.S. exports increased from 50 percent to almost 70 percent of world trade that same period and may hit a record 50 million tons in 1977/78 (July-June), compared with 13.5 million estimated for Southern Hemisphere exporters during the same period.

Still, shipments by the "four" have continued to grow during the past 6 or 7 years, and usually account for between 45 and 60 percent of non-U.S. exports of corn and grain sorghum. Depending upon world market conditions, annual fluctuations in this trade have a direct impact on export flows of U.S. corn and grain sorghum. Moreover, shipments tend to be heaviest right after harvesting—a seasonality that also can influence U.S. exports of corn and grain sorghum.

Together, these countries account for about one-tenth of world corn and grain sorghum production, versus 40-45 percent for the United States. This is largely because their aggregated yields are less than half the yields obtained in the United States, and crop area is only about two-thirds of the U.S. level.

However, they export approximately one-third of production, against about one-quarter for the United States.

(In recent years, slightly less than 20 percent of the world's production of corn and grain sorghum has entered world trade, versus only about 10 percent 6 or 7 years ago.)

Australia. In Australia, a season-long drought in the main grain sorghum producing States of Queensland and New South Wales has dimmed production prospects. Output of grain sorghum in 1978 is currently estimated at only 600,000 tons, 330,000 below last year's harvest and the smallest since 1970.

Early season reports on farmers' planting intentions indicated that sorghum area would decline about 10 percent in 1978 from last year's 524,000 hectares, largely as a result of a swing to alternative crops such as wheat, barley, and oilseeds. Severe dryness prevented farmers from realizing even these reduced intentions, and sown area now is estimated to be down by some 25 percent.

Additional planting may have been possible in Central Queensland following mid-January rains. However, short-season-variety seed is reportedly in limited supply, and a number of growers may switch to sunflowers.

In many areas, subsoil moisture is still low, and late plantings will require good followup rains. These late-season plantings also will be more susceptible to damage.

Given a substantially smaller crop, limited carryover stocks, and strong domestic demand, Australian grain sorghum exports in the upcoming 1978/79 marketing year may not exceed 100,000 tons, vesus an expected 610,000 in the season ending March 1978. This would be the smallest grain sorghum export in the past 8 years, when annual exports averaged close to 750,000 tons, reaching a high of 1.1 million in 1971/72.

The 5 percent increase in this year's domestic consumption price of wheat, along with a reduction of almost 20 percent in 1978 barley output, has created a strong domestic demand for grain sorghum, with current domestic prices $A15 [2] above world price equivalents.

Australia's 1978 corn crop is estimated at 135,000

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[1] *Except where indicated, April-March marketing years are used for Argentina and Australia, and May-April for Brazil and South Africa. Based on conditions as of mid-February.*

[2] *One Australian dollar equals about US$1.13.*

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tons, about the same level as in the past 5 years. A large portion of this small crop is grown under irrigation or in coastal areas and consequently has suffered little from the extended drought that persisted until mid-January in major grain areas.

Corn exports during 1978/79 are expected to decline to one-third of this year's level. They probably will not exceed 10,000 tons, since here again high domestic prices relative to export prices are keeping supplies in local markets. Virtually all of Australia's corn exports have moved to Japan, with the remainder going to Pacific Island destinations.

Argentina. Prospects for Argentina's upcoming corn crop have improved with continued favorable weather. Currently, the crop is estimated at 8.3 million tons, only 500,000 below last year's outturn, which benefited from exceptional growing conditions and a record yield. Abundant rainfall and sunshine provided excellent beginning conditions and were followed by beneficial rains during the critical pollination period in December and January. Recent rains reportedly have caused some localized flooding and crop losses, although as a whole the crop is good.

This year, area planted to corn failed to decline for the first time in 5 years. Producers switched from wheat, owing to unattractive prices and drought, and not as much corn land was shifted to soybeans as was earlier anticipated.

Corn exports during 1978/79 are forecast at 4.6 million tons, 500,000 below the level of the current season but above the annual volume of the 2 preceding years. Normally, Argentine corn shipments are concentrated in the first 6 months of the marketing season, owing to limited domestic storage capacity and a lack of adequate financial facilities to encourage producers to hold grain.

Italy and Spain usually pay a premium for Argentine flint-type corn and together normally take about two-thirds of annual Argentine corn exports. Other important markets include the USSR, Cuba, and the Netherlands.

Argentina's 1978 grain sorghum crop is now forecast at 6.5 million tons—300,000 tons above last year's record crop, largely because of an estimated 7 percent increase in the sown area. Argentine farmers have shown an increasing preference for grain sorghum because of its compatability with cattle raising and the tendency of grain sorghum yields to hold up better than corn's during unfavorable growing conditions.

Argentine sorghum exports during 1977/78 are estimated at 4 million tons, more than double the level of the early 1970's. Exports in the near future are expected to continue their rapid expansion of recent years and are now projected at a record 4.3 million tons in 1978/79.

In recent years, Japan has replaced Western Europe as the leading market for grain sorghum, normally taking about one-third of annual Argentine exports. During 1977/78, Argentine sorghum may account for between 40 and 50 percent of total Japanese imports.

Brazil. The 1978 Brazilian corn crop is currently estimated at 17.5 million tons, 1.3 million below last year's record but still 5 percent above average production in the past 5 years. The shortfall reflects a 4 percent reduction in the planted area, plus decreased use of fertilizer and hybrid seeds and scattered unfavorable growing conditions.

Corn producers cut back on area this year, primarily because prices of alternative crops such as soybeans, beans, and cotton were more favorable. Growers were disappointed with this year's 23 percent increase in the Government's minimum support price, compared with a 1977 inflation rate of almost 40 percent.

In addition, interplanting of corn among coffee trees has declined as coffee trees continue to recover from the 1975 frost.

Weather through January and early February continued very dry in the important corn producing States of Minas Gerais and Goiás and threatens further crop deterioration.

Reduced outturn, combined with increased domestic consumption by expanded poultry and livestock feeding industries, could virtually halt Brazil's corn exports during 1978/79. Brazil might have to import corn for the first time in 18 years, whereas exports in recent years have ranged between 1 million and 1.5 million tons.

Brazilian grain sorghum production in 1978 is now estimated to be 10 percent below last year's 470,000 tons. This continues the downward trend in both production and utilization as the mixed feed industry has turned to alternative feedstuffs.

In view of the potential shortfall in corn supplies, some additional grain sorghum plantings may occur in time for the second harvest in October, but they will probably be limited because of seed shortages. Virtually all of Brazil's grain sorghum is consumed domestically.

South Africa. Drought-impacted yields in the major corn-growing areas of the semiarid Transvaal and the Orange Free State, combined with an expected 8 percent decline in planted area early in the season, pointed to a 20 percent drop in South Africa's 1978 corn crop. Production prospects since have improved considerably, because of rainfall in January and early February. But corn outturn, currently estimated at 8.5 million tons, still may be some 10 percent below last year's crop.

South African corn exports from the 1978 crop are expected to total 2.1 million tons during 1978/79, a decline of almost 20 percent from the current year's 2.6 million tons. With the 1978/79 carryout expected to fall to an estimated 950,000 tons, generally a minimum carryover, any further crop deterioration would sharply restrict South Africa's export position.

South Africa's principal export market for corn is Japan, which accounted for nearly one-third of all shipments during 1976/77.

Taiwan, Venezuela, the United Kingdom, and other West European countries also are important markets. U.S. corn exports to these destinations might be expected to strengthen beginning in mid-1978, particularly yellow corn exports to Japan and Taiwan and possibly white corn exports to Venezuela.

The 1978 South African grain sorghum crop is now estimated at 400,000 tons, 25,000 above last year's. The increase is attributed to this year's larger area, as growers switched from corn to grain sorghum in response to extended dryness during the corn planting period. This gain is expected to allow exports during 1978/79 to approach 140,000 tons, compared with negligible amounts in the past 2 years because of reduced crops. □

Poultry Expansion Slows in Iran, Iraq, Syria, Egypt, Greece

By Alan K. Hemphill

Rising consumer demand for meat in the Mideastern countries of Iran, Iraq, Syria, and Egypt is being met by expanded domestic production of poultry and by imported poultry or red meats, rather than by any significant growth in production of the traditional red-meat sectors such as cattle, sheep, and goats.

In Greece, rising poultry, beef, and pork production, supplemented by beef imports, is largely meeting the greater demand.

In Iran, Iraq, and Syria, meat consumption traditionally has been sheep and goat supplemented by beef and poultry.

Egypt's meat consumption is basically beef supplemented by sheep and goat meat and poultry.

In Greece, beef is the dominant meat, followed by substantial consumption levels of lamb and mutton and to a lesser degree of poultry and pork.

Except for Greece, because of religious reasons, pork production and consumption is almost nonexistent in the countries reviewed.

Although moderate production gains for red meats are projected in the forecasts of the five countries, indications are that this is the least responsive meat production area and the one least likely to grow to an appreciable extent—a result of the traditional methods of raising these animals plus limited forage supplies and pasture area.

The expanded emphasis placed on poultry production (and to a lesser extent, fish) and imports of these at least during the transition period in these countries is an attempt to guide the increase in consumption so that it will be produced indigenously.

In Egypt, Greece, and to a certain degree, Iran, the poultry industries are and will continue to be for some time to come based largely on imported components—breeding stock, concentrates, feed ingredients, and some vaccines.

However, Syria and especially Iraq believe they have adequate land and water resources, which—when properly utilized—will enable them to expand feedgrain production and thus meet the feedgrain needs of their rapidly growing poultry industries. However, at least until the proper utilization is accomplished, imports of feedstuffs may be necessary in these countries too.

Also, in each country, grains for poultry feed compete for land and water resources with grains and other food for humans. A reaction against directing too great a share of grain output to poultry production could develop at some point in the future.

Poultry diseases have been a limiting factor in all five countries, although their effect is less in Greece, where the poultry industry is established and disease problems are relatively well controlled through heavy use of vaccines. In Iran, Syria, and Egypt, diseases are presenting serious problems. Iraq, which is really in the beginning stages of a large planned expansion, may experience a disease problem as its industry develops further.

As a result of these inhibiting factors (land, water, feed, disease), future production increases in Iran, Syria, and Egypt probably will be smaller than originally projected. For example, Syria now forecasts a doubling of its production over the next 4 years instead of the near-quadrupling originally planned.

Iraq continues with very strong production plans, but these may be modified as more farms come on schedule with higher production costs, disease losses, and problems of coordinating feed supplies with needs.

Another notable change is the increased reliance on private sector production in the Mideast. Formerly, most or all construction and operation of poultry farms in the area was under governmental organizations. Currently, there is greater emphasis on governmental companies building and operating parent farms and hatcheries, with the chicks then sold to private individuals and companies for raising.

Country summaries:

IRAN. In the dairy area, the program to expand by importing large numbers of Holstein-Friesian breeding cattle may be cut back. Also, the near-term planned expansion in poultry production facilities may not be continued, and the longer term increase may not be as large as envisioned.

Output of poultry meat and eggs has expanded substantially in recent years, but disease is a problem. Poultry consumption is expected to continue rising, but at a slower rate than forecast earlier as the exuberant economy of recent years is now subsiding.

Imports of poultry and meat and eggs may not be affected to the same extent as domestic production. Whether these imports will come from the United States or from European suppliers is uncertain. Currently the Iranians appear to be buying on price and with little shipment leadtime. Thus the selling techniques and nearness of European suppliers—both from the EC and Eastern Europe, give them advantages.

Iran's per capita consumption of red meat is about 19 kilograms a year, and that of poultry meat about 6 kilograms. However, cutbacks in investment and an attempt to restrain the continued expansion of the

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economy could slow the relatively rapid rise in the consumption pattern that has been evident in recent years.

IRAQ. By 1980, per capita consumption of red meat is planned to rise from 13 kilograms a year to 18 kilograms, poultry from 3 kilograms to 8 kilograms, and fish from 2 kilograms to 6 kilograms. However, poultry meat production is expected to rise from about 25,000 metric tons in 1977 to about 200,000 tons by 1980 or 1981, with production about equally divided between farms in the private and public sectors. (This would indicate greater consumption than planned of poultry, as the red meat and fish sectors are not expected to increase to the planned quantities.)

If demand for this level of production is not reached, attempts to export or reduce output in the private sector may be expected.

Imports of U.S. broilers find ready acceptance in Iraq although some restaurants complaint that U.S. birds are too large to net a fair return under existing price ceilings.

SYRIA. Production and consumption of red meat are not expected to increase to any notable extent, as the carrying capacity of pastures has been reached and few rapid changes are expected in the traditional raising methods.

The Government has reevaluated its earlier poultry production plans. Instead of the Government company constructing several producing units, it is now planned to concentrate on parent stock farms and hatcheries and assist the private sector in boosting production of poultry meat and eggs.

Partly as a consequence of this shift, production by 1980 is expected to rise substantially above the 20,000 tons of 1975, but only to about half of the former 1980 goal of 72,000 tons. Similarly, egg production is expected to slightly exceed 1 billion units but be short of the 1.5 billion predicted earlier.

Poultry production is expanding, but not at the pace envisioned. Similarly, disposable income is rising, but apparently not enough to sustain the predicted increase nor at the levels achieved in Iran and Iraq. Some small imports of poultry can be expected, but any larger movements will depend on Jordanian production and more importantly the recovery in Lebanon, formerly an important source.

EGYPT. The General Poultry Company—a Government organization—produces all the day-old chicks used in the commercial area, a sizable percentage of the broiler meat, and many of the eggs. It sees production of day-old chicks doubling by 1980 with the added output moving to the private sector for raising. Imports of poultry meat have occurred, with broilers from the United States imported with USAID financing currently holding a large share.

Livestock numbers are increasing slowly because of the limited forage area available. Live cattle, sheep, and camels are imported, especially from the Sudan, as is red meat from Australia, Uruguay, and Argentina. While the country's gross national product is increasing, low per capita income, inflation, and foreign-exchange problems hinder higher levels of consumption and meat imports.

GREECE. Production and consumption of poultry and pork have boomed since the mid-1960's. Per capita consumption of beef also has increased—from 14 kilograms in 1963 to 22 kilograms in 1977—but a portion of this volume is supplied by imports. Per capita consumption of lamb, mutton, and goat meat at 14 kilograms has not changed greatly since 1963.

In the near term, slow growth is expected for pork and poultry, and little growth in other red meat. Many producers are making their plans on the assumption of Greece's entry into the EC. From economic studies, they believe they will be competitive in poultry, pork, mutton, and lamb, but their dairy and beef industries may encounter difficulties. (The sheep and goat industry is meeting difficulties from lack of shepherds to milk and care for the sheep and goats.)

To protect domestic producers, imports of meat into Greece are limited. Thus, while frozen beef and pork can often be imported, imports of fresh meat are usually prohibited. Very little poultry is imported. □

World Peanut Crop Declines

The 1977/78 world peanut crop is estimated at 17.2 million metric tons, about 300,000 tons below that of 1976/77 and considerably lower than the record 1975/76 crop of 19 million tons.

The world peanut crush in 1977/78 is estimated at 6.95 million tons, compared with 7.21 million tons in 1976/77 and 8.11 million tons in 1975/76. The decline this year reflects sharply reduced commercial-crop availability in Senegal, Sudan, and Argentina.

World peanut oil and meal production from the 1977/78 crop is estimated at 3.13 million and 3.75 million tons, respectively.

Given reduced exportable supplies from major producing countries such as Senegal and Sudan and the current ban on Hand-Picked and Selected (HPS) peanut exports from India, U.S. exports of peanuts of all kinds for 1977/78 are expected to be about 400,000 tons (in shell), a record high.

Sudan's exports for 1977/78 are expected to be about 50,000 tons of HPS peanuts plus about 150,000 tons of peanuts for crushing.

Although Nigeria's production has improved over that of the previous year, all of the crop is expected to be used domestically because higher income from petroleum has expanded domestic demand. □

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Iraq and USSR Major Buyers In U.S. Wheat Export Market

The Office of the General Sales Manager, USDA, reported the following U.S. export sales of key farm commodities for the week ending February 12 (based on reports from exporters unless otherwise noted):

Wheat: Iraq and the USSR dominated activity, accounting for over 50 percent of the total increase in sales. Numerous other countries also were in the market. A significant net decrease in sales to unknown destinations was reported as foreign purchases and assignments of destinations more than offset new sales. Egypt, Italy, and Algeria were reported as destinations on most of the switches from previously unknown destinations. Brazil purchased 168,000 metric tons (96,000 tons for marketing year 1977/78—June-May—and 72,000 tons for marketing year 1978/79) as reported under the daily system. Exports (557,100 tons) continued to improve.

Corn: New sales activity registered the lowest weekly total (371,900 tons) since the week ending December 25, 1977. Mexico was the only significant buyer, adding 190,000 tons to previous purchases. New sales to unknown destinations were negated by contract adjustments and the assignment of destinations. Spain, Japan, the German Democratic Republic, and the USSR were named the ultimate destinations on the largest portion. Sales of 101,600 tons to unknown destinations and 120,000 tons to Korea for marketing year 1977/78 (October-September) were reported under the daily system. Weekly exports (1,020,400 tons) were the largest since the first week in January.

Sorghum: The market was relatively quiet, with Japan dominating activity. Contract adjustments, new sales, and the assignment of the United States as the origin on optional origin sales increased Japan's total purchases by 131,900 tons. Exports were modest.

Rice: Export interest continued light as Senegal, a major buyer of U.S. broken rice this marketing year, added 13,000 tons to earlier purchases. An additional 5,200 tons were switched from Iran to Iraq and shipped. Exports were moderately heavy.

Cotton. The quantity sold remained large. The People's Republic of China added marketing year (August-July) 1977/78 purchases of 48,400 running bales and significant additions also were made by Japan, the European Community, Hong Kong, Korea, and Taiwan. Exports also were high, with 132,400 running bales shipped, 80 percent going to Asia.

Soybeans: Sales (245,500 tons) declined from the high level of the preceding 3 weeks. Unknown destinations and Japan were the major buyers. Exports (427,800 tons) were buoyed by shipments of 232,700 tons to the EC and substantial shipments to Japan (61,600 tons) and Korea (50,000 tons). The initial shipment (10,000 tons) of the marketing year went to the Philippines.

Soybean cake and meal: Venezuela's largest purchase of the marketing year (October-September) of 47,700 tons, sales to Eastern Europe of 49,000 tons, and to unknown destinations of 45,100 tons represented more than three-quarters of the 181,300 tons registered during the week. The EC (64,900 tons) accounted for most of the 88,400 tons exported.

Soybean oil: Sales under CCC credit to Pakistan (17,000) under P.L. 480 and Peru (6,000 tons) contributed to the 28,200-ton increase in new sales. Sales to Iran rose as 7,100 tons were switched from unknown destinations. Exports (37,200 tons) were very strong, with India taking 34,400 tons. Optional-origin sales were reduced as India exercised its option to lift 10,000 tons of U.S.-origin oil and 9,900 tons were exercised foreign option. □

Prepared by USDA's Office of the General Sales Manager. For additional information telephone (202) 447-9209.